GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1433
ANSWERED ON:05.03.2010
TAX RELIEF TO TELECOM SECTOR
Khaire Shri Chandrakant Bhaurao

Will the Minister of FINANCE be pleased to state:

(a) the details of tax reliefs extended to telecom service providers;

(b) whether the Government has proposals to extend the period of tax relief to telecom service providers;

(c) if so, the details thereof; and

(d) the details of benefits likely to be accrued to the existing as well as the new telecom service providers?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRS S.S. PALANIMANICKAM)

(a): As far as Direct Taxes are concerned, the exemption to telecom service has been provided as under:

(i) Section 80-IA (4)
(ii) of the Income-tax Act provides for one hundred per cent deduction of the profits and gains for 10 consecutive assessment years to any undertaking which has started or starts providing telecommunication services, whether basic or cellular, including radio paging, domestic satellite service, network of trunking, broadband network and internet services on or after the 01-04-1995, but on or before the 31-03-2005.

(ii) Section 35ABB provides for deduction equal to the appropriate fraction of the amount of capital expenditure incurred for acquiring any right to operate telecommunications services either before the commencement of the business to operate telecommunication services or thereafter at any time during any previous year and for which payment has actually been made to obtain a license.

(iii) Section 80-IC read with Fourteenth Schedule provides for one hundred per cent deduction of profits and gains for five assessment years (AYs) commencing with the initial AY and thereafter, twenty-five per cent (thirty per cent in case of companies) to eligible undertakings or enterprises in the States of Himachal Pradesh and Uttarakhand including the business of `Information and Communication Technology Industry, Computer hardware, Call Centres` if the operations commence any time during the period 07-01-2003 to 31-03-2012. This deduction is available for a maximum of ten AYs.

As far Indirect Taxes, exemption has been provided from basic Customs duty to specified goods for providing basic telephone service, cellular mobile telephone service, internet service, radio paging service, public mobile radio trunked service (List 22,23 and List 24 of Notification No.21/2002-Cus.). The exemption is available to persons providing above services subject to licensing from department of telecommunications. Exemption from service tax is also available to certain specified services such as departmental run public telephones for local calls, guaranteed public telephone operating only for local calls, free telephone at airports and hospitals where no bills are being issued. These exemptions do not contain any clause about the period of their validity.

(b), (c) & (d): In view of the above, does not arise.